

SENATE FINANCE COMMITTEE

March 23, 2021

9:00 a.m.

[9:00:43 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Jesse Kiehl

PRESENT VIA TELECONFERENCE

Admiral Tom Barrett, Chair, Alaska Marine Highway Reshaping Group.

SUMMARY

^ALASKA MARINE HIGHWAY SYSTEM (AMHS) RESHAPING GROUP FINAL REPORT

[9:02:50 AM](#)

ADMIRAL TOM BARRETT, CHAIR, ALASKA MARINE HIGHWAY RESHAPING GROUP (via teleconference), discussed his background.

[9:05:56 AM](#)

Admiral Barrett outlined the findings in the "Alaska Marine Highway Reshaping Work Group, Report to the Governor" (copy on file), but remarked that his comments might also be his own opinions. He stressed that the current fleet was full of aging fleets, except for two new fast vessels. He remarked that Alaska had some of the toughest waters on the planet, with a very limited infrastructure. He commented that operations had not been reliable in recent years. He shared that the maintenance system was not in place for the aging fleet. He stressed that the current system did not match the service requirements. He also pointed out that the needs had changed since the creation of the ferry system. He noted that there was a history of ad hoc decision making.

9:11:05 AM

Admiral Barrett shared the focus of the priorities. He provided some recommendations. He pointed out that the importance of the system for the communities obvious, because of basic transportation and food security. He remarked that there was no specific route that showed revenues matching the operating costs. He stressed that money needed to be appropriated into the system to maintain operations. He remarked that there was no maritime expertise on the Advisory Board, so felt that needed to change. He felt that someone needed to understand fundamental maritime maintenance expertise on the board in order to challenge the planning when evaluating the data.

9:15:50 AM

Admiral Barrett remarked on specific requirements of vessels, and stressed that the vessels needed to meet both the U.S. and Canadian standards. He reiterated the need for maintenance planning. He stressed that the importance of stabilizing the budget, because currently there was only a three-month process. He pointed out that funding can be provided for the ferry system many years in advance. He stressed that there must be a budget in order to plan.

9:20:03 AM

Admiral Barrett continued to note that there were licensing requirements which may handcuff the ability to manage the fleet effectively. He stressed that the revenue was more related to vehicles, and not passenger revenue.

9:26:35 AM

Admiral Barrett stressed that the mission must be completed, but remarked that there was not the same to do the job efficiently. He had sympathy for the people who were working to make the system better.

Co-Chair Stedman recalled that he had visited the shipyard in Ketchikan, and noted that there was an issue with scheduling. He asked about the benefit of better scheduling for the shipyard.

Admiral Barrett replied the shipyard needed to plan, but were currently unable to efficiently schedule the work and renovations of the vessels. He stated that the shipyard needed to have long-term planning in order to do the work.

9:30:54 AM

Co-Chair Stedman remarked that the funds available for AMHS were virtually completely depleted. He wondered about how to fix the situation.

Admiral Barrett replied that there must be stabilization. He stressed that there needed to be money invested up front in order to eliminate the further change orders needed on the vessels.

9:35:26 AM

Co-Chair Stedman remarked that AMHS had been reduced by approximately 50 percent in scope and scale over the last several years. He felt that there needed to be stabilization of operations to provide some forward-planning opportunities.

Senator Wielechowski wondered whether it was the opinion that AMHS should be revenue neutral.

Admiral Barrett replied in the negative, and explained that the revenue neutral choice was up to the legislature and the administration. He pointed out that there had been discussions about a way to reshape and streamline the system with \$25 million or less of state subsidy.

Senator Wielechowski wondered whether there was a recognition that small communities needed marine highway service.

Admiral Barrett responded that there was an examination of reducing service, but it was from the dollar perspective.

Senator Wielechowski wondered how many small communities would lose service in the recommendations that were included in the report.

Admiral Barrett stated that there were more reductions that complete loss. He remarked that there might be a complete reduction in places like Tenakee Springs and Seldovia.

[9:41:14 AM](#)

Co-Chair Stedman stressed that predictability is more important than the number of ferries on the schedule.

Senator Hoffman wondered whether there was consideration for changing the AMHS revenue stream.

Admiral Barrett replied that it was not a specific subject of examination.

Senator Hoffman felt that it might take a change in law to allow for more revenue for the ferry system.

Co-Chair Stedman remarked that it was a federal law limiting the ferry infrastructure revenue.

Senator Wilson wondered how much federal money was given up in order to sole source the construction of boats in Alaska.

Admiral Barrett replied that \$120 million was paid for the new ferries, and they were not competed in construction. He noted that the cheapest shipyards were in the Gulf of Mexico.

Co-Chair Stedman furthered that there was an attempt to construct the ships in Alaska.

[9:46:49 AM](#)

Senator Wielechowski queried the recommendations on predictability.

Admiral Barrett replied there must be a multi-year budget planning process; and there must be a reliability system.

Senator Wielechowski queried the timeline for replacing the mainline ferries.

Admiral Barrett replied that it was approximately ten years ago.

[9:51:17 AM](#)

Senator Olson queried the transportation needs transition.

Admiral Barrett replied that there were fundamental changes in the customer market that occurred over the course of a few years.

Senator von Imhof wondered whether freight could supplement the revenue.

Admiral Barrett replied that there could be a freight offset on some boats like the run from Bellingham.

[9:58:05 AM](#)

Senator von Imhof queried the options for the smaller communities without the ferry system.

Admiral Barrett responded that the barge and other boat or road options.

[10:00:14 AM](#)

Co-Chair Stedman stressed that one of the difficulties was the labor agreement contracts, which do not allow for flexibility.

Senator Wilson wondered whether there was the option to buy a used ferry to bridge the gap in the build time.

Admiral Barrett replied in the affirmative, but most of those ferries were not built for the United States.

Co-Chair Stedman asked for any final comments.

10:03:08 AM

Admiral Barrett replied that he did not have any further comment and thanked the committee.

Co-Chair Stedman remarked on more work in subcommittee to address the AMHS.

Co-Chair Stedman discussed the following day's agenda.

#

ADJOURNMENT

10:07:31 AM

The meeting was adjourned at 10:07 a.m.